

Message Text

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SUBJ: GOI ECONOMIC REPORT FOR 1974

1. /SUMMARY/. GOI ECONOMIC REPORT FOR 1974 (ALSO CONTAINING
REVISED DATA 1970 THROUGH 1973) RELEASED ON MARCH 28 SHOWS
REAL GDP INCREASE OF 3.4 PERCENT, REFLECTING SIGNIFICANT
DECLINE OVER 1973 GROWTH OF 6.3 PERCENT AND SLIGHT IMPROVEMENT
OVER 1972 GDP GROWTH RATE OF 3.1 PERCENT. /END SUMMARY/.

2. /INTRODUCTION/. STARTING WITH 1974, ITALY CHANGED ITS
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NATIONAL ACCOUNTING METHODS TO MAKE THEM CONSISTENT WITH THOSE
OF OTHER EC PARTNERS. NEW STANDARD MEASUREMENT IS OF GROSS
/DOMESTIC/ PRODUCT AND BASE YEAR FOR CONSTANT VALUES HAS BEEN
CHANGED TO 1970, IN ACCORDANCE WITH SEC SYSTEM (EUROPEAN SYSTEM

OF INTEGRATED ECONOMIC AXEUNTS). IN 1974 ITALY'S GDP ROSE TO 97,427 BILLION LIRE (80,818 BILLION IN 1973) REPRESENTING GROWTH RATE IN MONETARY TERMS OF 20.6 PERCENT AND 3.4 PERCENT IN REAL TERMS. COMPARABLE GROWTH RATES FOR 1973 WERE 17.1 PERCENT AND 6.3 PERCENT RESPECTIVELY, AS REFLECTED IN REVISED 1973 GDP DATA CONTAINED IN 1974 ECONOMIC REPORT. TOTAL GROSS FIXED DOMESTIC INVESTMENTS IN REAL TERMS ROSE BY 4.2 PERCENT OVER 1973 LEVEL, REPRESENTING LOWER GROWTH RATE THAN IN 1973 (8.2 PERCENT). AVERAGE EMPLOYMENT RATE DURING 1974 WAS 2.9 PERCENT OF LABOR FORCE (3.5 PERCENT IN 1973) WITH SHARE OF NATIONAL INCOME ACCRUING TO WAGE AND SALARY EARNERS IN 1974 RISING TO 68.6 PERCENT (65.1 PERCENT IN 1973) LARGELY AS RESULT OF WAGE CONTRACT SETTLEMENTS AND STRONG INCREASES IN COST OF LIVING SLIDING SCALE. ITALY'S "ECONOMIC" BALANCE ON GOODS AND SERVICES IN CURRENT LIRE WAS IN DEFICIT BY 5,147 BILLION LIRE, OR ABOUT DLR 7.9 BILLION (OF WHICH 4.583 BILLION WAS ATTRIBUTABLE TO OIL). THIS COMPARED WITH DEFICIT OF 1,665 BILLION LIRE IN 1973 AND SURPLUS OF 928 BILLION LIRE IN 1972.

3. /SOURCES OF INCOME/. ON SUPPLY SIDE MOST SECTORS OF ECONOMY EXPERIENCED EXPANSIONARY TENDENCIES COMPARED WITH 1973. OUTPUT OF AGRICULTURE AND RELATED SECTORS INCREASED BY 1.4 PERCENT IN REAL TERMS, INDUSTRIAL ACTIVITIES BY 4.2 PERCENT AND TERTIARY (SERVICE) ACTIVITIES BY 3.3 PERCENT. IMPORTS OF GOODS AND SERVICES ROSE BY ONLY 2.3 PERCENT IN REAL TERMS TO 13,447 BILLION LIRE COMPARED WITH 1973 RISE OF 10.2 PERCENT TO 13,139 BILLION LIRE.

4. /USE OF INCOME/. ON DEMAND SIDE GROSS DOMESTIC INVESTMENT INCREASED BY ONLY 0.1 PERCENT TO 14,317 BILLION LIRE (AT CONSTANT 1970 PRICES) REPRESENTING SIGNIFICANT WORSENING IF COMPARED WITH INCREASES OF 15.6 PERCENT AND 0.5 PERCENT IN 1973 AND 1972, RESPECTIVELY. THIS REFLECTED LARGE DROP IN ACCUMULATION OF INVENTORIES IN REAL TERMS, AS FIXED INVESTMENT ALONE ROSE BY 4.2 PERCENT IN REAL TERMS (8.2 PERCENT IN 1973). SUCH INVESTMENT IN INDUSTRIAL ACTIVITIES ROSE BY 9.2 PERCENT AND IN SERVICE ACTIVITIES BY 4.2 PERCENT. FIXED UNCLASSIFIED

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INVESTMENT IN AGRICULTURE AND PUBLIC INVESTMENT DECLINED BY 2.4 PERCENT AND 13.3 PERCENT, RESPECTIVELY. IN 1974 GROSS DOMESTIC INVESTMENT AS PERCENTAGE OF GDP WAS 25.2 PERCENT COMPARED WITH 23.2 PERCENT IN 1973. ALSO ON DEMAND SIDE, SOCIAL INVESTMENTS DECLINED BY 0.2 PERCENT IN REAL TERMS TO 5,682 BILLION LIRE COMPARED WITH INCREASE OF 4.3 PERCENT IN 1973. GOVERNMENT SECTOR CONSUMPTION INCREASED BY 1.9 PERCENT TO 8,495 BILLION LIRE, COMPARED WITH INCREASE OF 2.7 PERCENT IN 1973, WHILE REAL PRIVATE CONSUMPTION IN 1974 ROSE BY 2.3 PERCENT TO 43,358 BILLION LIRE (42,403 BILLION LIRE IN 1973). MEASURED ON NATIONAL ACCOUNTS BASIS EXPORTS OF GOODS AND SERVICES ROSE BY 10.8 PERCENT IN REAL TERMS TO 13,962 BILLION LIRE COMPARED WITH INCREASE IN 1973 OF 5.4 PERCENT TO 12,600 BILLION LIRE. THE

RATE OF INCREASE FOR EXPORTS WAS TWICE THAT OF 1973, THUS REVERSING THE 1973 IMPORT-EXPORT PERFORMANCE IN REAL TERMS.

THE SLOWDOWN IN REAL RATE OF GROWTH IN ITALY'S IMPORTS REFLECTED TIGHTER CREDIT, 50 PERCENT PRIOR DEPOSIT, FISCAL PACKAGE AND OTHER MEASURES TAKEN BY GOI TO REDUCE BALANCE OF PAYMENTS DEFICIT IN 1974. DEVALUATION OF "FLOATING" LIRA HELPED TO KEEP ITALIAN EXPORTS COMPETITIVE IN FACE OF RISING DOMESTIC PRICES.

5. FOLLOWING IS BREAKDOWN GDP IN BILLIONS OF CURRENT LIRE FOR 1974 AND 1973:

	1973	1974
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PRIVATE CONSUMPTION	53,290	65,188
PUBLIC CONSUMPTION	11,530	13,622
FIXED INVESTMENT	16,970	22,752
CHANGE IN STOCKS	1,785	1,781
EXPORTS OF GOODS AND SERVICES	15,223	23,113
IMPORTS OF GOODS AND SERVICES	-17,980	-29,029

GDP AT MARKET PRICES	80,818	97,427

6. /LABOR AND EMPLOYMENT/. EMPLOYMENT STEADILY INCREASED DURING 1974 DESPITE DECREASE IN INDUSTRIAL PRODUCTION REGISTERED DURING FOUR OF LAST FIVE MONTHS OF YEAR. EMPLOYMENT ON UNCLASSIFIED

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AVERAGE ROSE BY 398,000 UNITS DURING 1974 OF WHICH 381,000 UNITS REFLECTED INCREASES IN DEPENDENT WORKER CATEGORY. HOWEVER, JANUARY SAMPLE SURVEY SHOWED 569,000 UNDEREMPLOYED (WORK WEEK OF LESS THAN 33 HOURS) AT HIGHEST FIGURE FOR THIS CATEGORY IN PAST TEN YEARS. WAGE CONTRACT SETTLEMENTS CONCLUDED IN 1974 AND QUARTERLY REVISIONS OF COST OF LIVING SLIDING SCALE CONTINUED TO PUSH UP LABOR COSTS. SHARE OF NATIONAL INCOME ACCRUING TO WAGE AND SALARY WORKERS IN 1974 INCREASED TO 68.6 PERCENT COMPARED WITH 65.1 PERCENT IN 1973 AND 63.1 PERCENT IN 1972. IN 1974 AVERAGE UNEMPLOYMENT RATE DECLINED TO 2.9 PERCENT COMPARED WITH 3.5 PERCENT IN 1973.

7. /PRICES/. IN 1974 WHOLESALE PRICES ON AVERAGE ROSE BY 40.7 PERCENT, RETAIL PRICES BY 19.1 PERCENT, AND COST OF LIVING BY 19.4 PERCENT. GDP DEFLATOR WAS 16.6 PERCENT (COMPARED TO 10.2 PERCENT IN 1973).

8. /BALANCE OF PAYMENTS/. PROVISIONAL BALANCE OF PAYMENTS IN LIRE (AND IN DOLLARS CONVERTED BY EMBASSY AT DLR 1.00 EQUAL 650) FOLLOWS:

ECONOMIC BALANCE OF PAYMENTS

	BILLIONS OF LIRE	MILLIONS OF DOLLARS	
EXPORTS, F.O.B.	19,408	29,859	
IMPORTS, F.O.B.	24,742	38,065	
TRADE	-5,334	-8,206	
(OIL)	(-4,583)	(-7,051)	
SERVICES	187	288	
BALANCE GOODS AND SERVICES	-5,147	-7,918	
UNILATERAL TRANSFERS		1	
CURRENT ACCOUNT BALANCES	-5,146	-7,917	
CAPITAL ACT/E&O1	215	331	
EXCHANGE ADJUSTMENT	-	-73	
DEFICIT	-4,931	-7,659	
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1) EXCLUDES EUROMARKET OBOBORROWING.BEAUDRY

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